

Foreword by K.A. Hines	vii
Foreword by G. Wagner	ix
Foreword by J.M. Williamson	xi
Preface	xiii

**PART ONE RISK MANAGEMENT FROM THE
VIEWPOINT OF A BANKER 1**

Chapter 1 The financial intermediary and the role of risk 3

1	Introduction	3
2	A definition of risk	6
3	The business of banks and bankers	12
4	Raw material in banking: money and electronics	18
5	Politics, risks and the function of banking	23

Chapter 2 Prerequisites to risk management 27

1	Introduction	27
2	Coping with a changing business environment	30
3	Taking risks for competitive reasons	35
4	Risks embedded in a payments system	39
5	Bank liquidity	44
6	Deposit reliability	48

Chapter 3 The challenges of global risk 52

1	Introduction	52
2	The global financial market	55
3	Follow-the-sun overdraft and financial integrity	60
4	Reserves and cash flow	65
5	Off-balance sheet and off-budget	70
6	Regulating the off-balance sheet accounts	75

Chapter 4 The management of risk 80

1	Introduction	80
2	Analytical methods for the control of risk	84
3	Integrative approaches to risk management	89
4	The role of expert systems in the control of risk	93
5	Are leading banks in America and Europe well ahead in risk management?	97
6	Commercial and financial paper	99

Chapter 5 A model for the management of risk 104

1	Introduction	104
2	Uncertainty: the bottom line of risk management	105

- 3 Assessing the global database 111
- 4 A methodology for the definition of risk tolerances 116
- 5 The robotization of a risk-management solution 122

Chapter 6 Risk-taking in investment banking 129

- 1 Introduction 129
- 2 Betting on top management 131
- 3 Facing the risk in trading 138
- 4 From quality control to risk management 143
- 5 Tuning the system to the bank's personality 149

Chapter 7 Commercial banking and its risks 155

- 1 Introduction 155
- 2 Credit and the act of lending 157
- 3 Losses and fraud in the loans industry 164
- 4 The burning issue of savings and loans 168
- 5 The American taxpayer comes to the rescue of the thrifts 173
- 6 A case study in incompetence: Third World debt 176
- 7 Exploiting the debtor power 179

Chapter 8 The bank as a network 182

- 1 Introduction 182
- 2 The marketing touch 185
- 3 Branch offices and globalization 191
- 4 The cost of money 198
- 5 Beware of labor costs 203

PART TWO THE TECHNOLOGIST'S CONTRIBUTION TO RISK MANAGEMENT 209

Chapter 9 A mission for Chief Technology Officers 211

- 1 Introduction 211
- 2 Defining a new infrastructure 214
- 3 Wall Street's rocket scientists 218
- 4 Supercomputers in banking 223
- 5 Technology transfer: an AI example 228

Chapter 10 Foremost financial institutions deploy their technology plans for the 1990s 234

- 1 Introduction 234
- 2 Traders' and programmers' workstations 235
- 3 Productivity investments and expected return 240
- 4 Inhouse networks for the new generation of workstations 245
- 5 Improving user service through visualization and process automation 251

Chapter 11 The growing role of intelligent networks in financial technology 256

- 1 Introduction 256

- 2 Global trading and 24-hour trading 258
- 3 A common frontier between Forex and Securities 262
- 4 From data processing to knowledge processing 269
- 5 A new wave of electronic banking services and the community intelligence 274

Chapter 12 Imaging, electronic document handling and the role of expert systems 280

- 1 Introduction 280
- 2 Fertile fields for image processing 281
- 3 Great Western and Security Pacific 288
- 4 Imaging applications in other financial institutions 291
- 5 Applying expert systems with optical disk implementation 297

Chapter 13 Distributed databases assisted through artificial intelligence 305

- 1 Introduction 305
- 2 Financial institutions look at the database problem 306
- 3 The Intelligent Database Assistant (IDA) by GTE 312
- 4 Using the California Intelligent Database Assistant (CALIDA) 318
- 5 Public databases and competitive intelligence 323

Chapter 14 Repositories and computer-assisted software engineering 326

- 1 Introduction 326
- 2 Who wants to deal with old programs? The OfficeVision trap 328
- 3 It is time to finish with systems 360 and 370 333
- 4 The IBM repository, artificial intelligence, databases and electronic messaging 337
- 5 Computer-aided software engineering requires a coherent conceptual solution and a new culture 342

Chapter 15 A corporate memory facility using objects and semantic models 347

- 1 Introduction 347
- 2 The rationale behind a corporate memory facility 348
- 3 Implementation in a banking environment 353
- 4 Knowledge-based systems in project management 358
- 5 Applying object-oriented databases and using metamodels 364
- 6 The change toward semantic data models 366

Index 373